

## Message Text

CONFIDENTIAL

PAGE 01 BRASIL 01966 01 OF 03 231429Z

44

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

AF-10 EA-11 EUR-25 NEA-10 DOTE-00 SCI-06 CEQ-02 EPA-04

DRC-01 /241 W

----- 069615

R 231330Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2408

INFO AMCONSUL RECIFE

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 1 OF 3 BRASILIA 1966

E.O. 11652: GDS

TAGS: PINT, PFOR, EGEN, BR

SUBJECT: NEW PRESIDENT'S FIRST SPEECH

1. SUMMARY: IN FIRST MEETING WITH CABINET MARCH 19, OPENING OF WHICH WAS COVERED BY REPORTERS AND PHOTOGRAPHERS, PRESIDENT GEISEL READ SPEECH OUTLING POLICY DIRECTIONS OF NEW ADMINISTRATION. THE SPEECH, TEXT OF WHICH WAS DISTRIBUTED AFTERWARDS TO NEWSPAPERS, IS LONG AND COMPREHENSIVE, AND CONCENTRATES HEAVILY ON ECOOMIC MATTERS. INITIAL PRESS TREATMENT HAS CENTERED ON TRANSFORMATION OF PLANNING MINISTRY INTO SECRETARIAT ATTACHED TO PRESIDENCY, AND TRANSFER OF SOCIAL-SECURITY (PREVIDENCIA) FUNCTION OF LABOR MINISTRY TO NEW MINISTRY (PREVIDENCIA E ASSISTENCIA SOCIAL); AND ON PRESIDENT'S STATEMENT OF HOPE THAT EXCEPTIONAL MEASURES (E.G., IA-5) WILL BE ONLY LATENT, AND WILL EVENTUALLY BE SUPERSEDED BY "SAFEGUARDS ...WITHIN A CONSTITUTIONAL CONTEXT."

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 01966 01 OF 03 231429Z

2. THE ECONOMIC CONTENT OF GEISEL'S SPEECH

CONFIRMS THAT THE DIRECTION AND PRIORITIES OF BRAZILIAN ECONOMIC POLICIES REMAIN UNCHANGED. CONTINUED GROWTH IN REAL NATIONAL PRODUCT IS THE PRIME OBJECTIVE AND THE MEANS TO THIS END ARE CONTROL OF INFLATION, EXPORT EXPANSION IN ALL SECTORS, MAINTENANCE OF BALANCE OF PAYMENTS STABILITY, FAVORABLE TREATMENT FOR FOREIGN CAPITAL, TECHNOLGICAL DEVELOPMENT, AND A CLOSELY MONITORED INCOMES POLICY. THE PRINCIPAL PROBLEM AREAS ARE HIGHER OIL PRICES (AND HERE GEISEL INDICATED HE WANTED TO AVOID SUBSIDIES), DEVELOPMENT OF INLAND TRANSPORT FACILITIES, PARTICULARLY RAILROADS, AND STIMULATION OF AGRICULTURE, PARTICULARLY RAISING THE LEVEL OF OUTPUT AND EFFICIENCY IN CATTLE BREEDING. ON THE EXTERNAL SIDE GEISEL SIGNALLED TWO SPECIFIC ISSUES. HE INVITED CAPITAL INVESTMENT FROM ARAB COUNTRIES AND IN A CLEAR REFERENCE TO POSSIBLE US COUNTERVAILING ACTION ON BRAZILIAN SHOE EXPORTS, HE CRITICIZED DEVELOPED COUNTRIES THAT BLOC LDC EXPORTS OF MANUFACTURED GOODS.

3. WHILE OVERALL ECONOMIC POLICIES WILL BE THE SAME, GEISEL INDICATED THAT HE WILL HOLD A MUCH TIGHTER REIN OVER ECONOMIC POLICY THAN DID HIS PREDECESSOR, NOT ONLY IN OVERALL DIRECTION BUT IN THE FORMULATION AND EXECUTION OF IMPORTANT DECISIONS. RESUME OF SPEECH FOLLOWS; TEXT POUCHED ARA/BR; END SUMMARY.

4. FOREIGN POLICY (FULL TEXT): "FOLLOWING A RESPONSIBLE PRAGMATISM AND CONSCIOUS OF THE DUTIES OF THE NATION, MUCH MORE ADULT, IN REGARD TO INTERNATIONAL SOLIDARITY AND COOPERATION ON BEHALF OF THE PROGRESS OF HUMANITY AND WORLD PEACE, WE WILL GIVE SPECIAL EMPHASIS TO OUR RELATIONSHIP WITH THE SISTER NATIONS OF OUR NEIGHBORS BOTH HERE AND OVER-SEAS (AQUEN E ALEM-MAR). WE WILL PUT FORTH DIPLOMATIC ACTION, ALWAYS ALERT TO DETECT NEW OPPORTUNITIES AND AT THE SERVICE, PARTICULARLY, OF THE INTERESTS OF OUR FOREIGN TRADE, OF THE GUARANTEE OF AN ADEQUATE SUPPLY OF RAW MATERIALS AND ESSENTIAL PRODUCTS, AND OF ACCESS TO THE MOST UP-TO-DATE TECHNOLOGY, WHICH WE DO NOT HAVE, CARRYING OUT, TO THAT END, WITH PRUDENCE AND NO LESS WITH FIRMNESS, THE NECESSARY OPTIONS AND REALIGNMENTS."

5. INTERNAL POLITICS - PROMISING "EFFORTS FOR GRADUAL BUT CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRASIL 01966 01 OF 03 231429Z

SURE DEMOCRATIC IMPROVEMENT" AND A BROADENED DIALOUGE, GEISEL STATES "I WANT VERY MUCH TO SEE (THE EXCEPTIONAL MEASURES) NOT SO MUCH IN EXTENDED OR FREQUENT USE BUT RATHER AS A POTENTIAL FOR REPRESSIVE ACTION OR MORE ENERGETIC CONTAINMENT...UNTIL THEY ARE SUPERSEDED BY A CREATIVE POLITICAL IMAGINATION, CAPABLE OF INSTITUTING, AT THE OPPORTUNE TIME, EFFECTIVE SAFEGUARDS AND READY AND REALLY EFFICIENT REMEDIES WITHIN A CONSTITUTIONAL CONTEXT." GEISEL ADDS

THAT THIS WILL REQUIRE AN EFFORT BY ALL BRANCHES AND LEVELS OF GOVERNMENT, AND WILL ALSO DEPEND ON THE DISRUPTIVE "MINORITIES" BECOMING "EXHAUSTED, IN THE FACE OF GENERAL REPUDIATION, BY FULL RECOGNITION OF THE REALITY...(OF) THE DEFINITIVE IMPLANATION OF OUR REVOLUTINY DOCTRINE."

6. ECONOMIC DEVELOPMENT - GEISEL ANNOUNCED THAT HIS GOVERNMENT WILL ADOPT THE SAME GENERAL POLICY LINES THAT HAVE BROUGHT PROVEN BENEFITS AND SUCCESS TO THE COUNTRY, RECOGNIZING THAT CONTINUITY DEPENDS ON THE CAPACITY FOR CHANGE IN FACE OF INTERNAL AND EXTERNAL CIRCUMSTANCES. HE SAID HIS GOVERNMENT WOULD RESPOND TO EXTERNAL INFLATIONARY FORCES WITH RENEWED VIGILANCE, MAINTAINING THE MECHANISMS FOR PRICE AND SALARY CONTROL. THE INTERNATIONAL CRISIS OF CRITICAL RAW MATERIALS WILL REQUIRE THE REALIGNMENT OF INTERNAL PRICES, INCLUDING THOSE FOR PETROLEUM PRODUCTS. THE ALTERNATIVE TO THIS REALIGNMENT WOULD BE THE CREATION OR MAINTENANCE OF SUBSIDIES, WHICH ARE UNDESIRABLE.

7 FOREIGN INVESTMENT - GEISEL NOTED THAT THE HEAVY IMPACT OF RISING WORLD PRICES WILL NECESSITATE A NET INFLOW OF FOREIGN CAPITAL IN 1974 POSSIBLY DOUBLE THAT WHICH OCCURED LAST YEAR. IT IS DESIRABLE, HE SAID, TO MAINTAIN, IN NON-STRATEGIC AREAS, THE SAME POLICY OF EQUAL AND EVEN FAVORABLE TREATMENT FOR FOREIGN CAPITAL, PARTICULARLY RISK CAPITAL, FOR WHICH BRAZIL IS AN AREA OF GREAT ATTRACTION. HIGH LEVELS OF WORLD LIQUIDITY LOOKING FOR PROFITABLE AND SECURE INVESTMENT, THE GROWING RESOURCES OF THE ARAB WORLD WITH WHICH BRAZIL ENJOYS OLD AND SOLID FRIENDSHIP, BRAZIL'S INTERNATIONAL CREDIT-WORTHINESS AND HIGH LEVEL OF RESERVES - MAKE VIABLE THE INFLOW OF RESOURCES, AS DIRECT INVESTMENTS OR AS RISK CAPITAL.

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BRASIL 01966 01 OF 03 231429Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BRASIL 01966 02 OF 03 231543Z

44

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

AF-10 EA-11 EUR-25 NEA-10 DOTE-00 SCI-06 EPA-04 CEQ-02

DRC-01 /241 W

----- 070044

R 231330Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2409

INFO AMCONSUL RECIFE

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 2 OF 3 BRASILIA 1966

8. TRADE - THE EXTERNAL DEBT SHOULD NOT GROW DISPROPORTIONATELY TO EXPORTS. "WE SHALL INSIST ON JUST TREATMENT FOR OUR EXPORTS BY THE DEVELOPED COUNTRIES, WHO FOR MANY YEARS ENCOURAGED INDUSTRIALIZATION IN UNDERDEVELOPED COUNTRIES, AND CANNOT NOW, PARADOXICALLY AND IRRESPONSIBLY, BLOCK THEIR EXPORTS OF MANUFACTURED GOODS UNDER THE ALLEGATION OF UNFAIR COMPETITION."

9. GROWTH - GEISEL SAID THE NUMBER ONE PRIORITY OF ECONOMIC STRATEGY WILL BE THE MAINTENANCE OF HIGH REAL GROWTH RATES, COMPARABLE TO THOSE OF RECENT YEARS, AND THE CONSOLIDATION OF A MODERN ECONOMY, PRINCIPALLY IN THE MORE DEVELOPED AREAS OF THE COUNTRY. TO REDUCE DEPENDENCE ON EXTERNAL SOURCES OF ENERGY OR, AT LEAST, TO ASSURE SUPPLIES AT THE LOWEST PRICES, HE WOULD INCREASE PETROLEUM EXPLORATION AND EXPAND REFINING CAPACITY. HIS GOVERNMENT WOULD GIVE SPECIAL ATTENTION TO INFRA-STRUCTURE, PARTICULARLY IN TRANSPORTATION

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 01966 02 OF 03 231543Z

WITH EMPHASIS ON MODERNIZATION AND ELECTRIFICATION OF THE RAILWAY SYSTEM, EXPANSION AND IMPROVED EFFICIENCY OF RIVER AND OCEAN TRANSPORT, RE-EQUIPMENT OF PORTS, AND PAVING HIGHWAYS. THE SHORTAGE OF LIQUID FUELS DEMANDS PRIORITY EFFORTS FOR THE DEVELOPMENT OF HYDRO-ELECTRIC RESOURCES AND INTENSIVE PREPARATIONS FOR THE ERA OF NUCLEAR ENERGY, AS WELL AS THE DEVELOPMENT OF OTHER SOURCES OF ENERGY.

10. INDUSTRY - PRESIDENT GEISEL POINTED OUT THE IMPORTANCE

TO BRAZIL OF ACHIEVING SELF-SUFFICIENCY OF PRODUCTION IN BASIC SECTORS SUCH AS STEEL AS WELL AS ELECTRONIC EQUIPMENT, ESPECIALLY COMPUTERS, AND IN CAPITAL GOODS, A SECTOR WHICH STILL OFFERS POSSIBILITIES FOR IMPORT SUBSTITUTION. HE ALSO CALLED FOR REDUCED DEPENDENCE ON IMPORTS OF RAW MATERIALS SUCH AS NON-FERROUS METALS AND CHEMICAL PRODUCTS INCLUDING FERTILIZERS AND PETROCHEMICALS.

11. TECHNOLOGICAL DEVELOPMENT - GEISEL CALLED FOR INSTRUMENTS TO INDUCE COMPANIES, PRIVATE AND PUBLIC, NATIONAL AND FOREIGN, TO CREATE AND ADAPT TECHNOLOGY. NOTING BRAZIL'S SHORTAGE OF CAPITAL AND QUALIFIED PERSONNEL, HE SAID PRIORITY WILL BE GIVEN TO TECHNOLOGY APPLICABLE TO INDIGENOUS RESOURCES. IN ITS SEARCH FOR TECHNOLOGY, BRAZIL WILL PAY NO MORE THAN THE JUST PRICE, ALWAYS ASSURING THAT AN AUTHENTIC TRANSFER OF TECHNOLOGY DOES TAKE PLACE.

12. ENVIRONMENT - MEASURES WILL BE ADOPTED AGAINST ENVIRONMENTAL POLLUTION, TAKING ADVANTAGE OF THE EXPERIENCE OF OTHER COUNTRIES BUT WITHOUT EXAGGERATIONS THAT MIGHT OFFSET THE COUNTRY'S ECONOMIC DEVELOPMENT.

13. AGRICULTURE - EXPANSION OF THE AGRICULTURAL LANDS IN THE NORTHEAST, AMAZON, AND CENTER-WEST IS A SPECIAL OBJECTIVE AND PRODUCTION INCREASES IN AREAS ALREADY UNDER CULTIVATION WILL HELP BRAZIL BECOME A LARGE WORLD SUPPLIER OF AGRICULTURE PRODUCTS. IN RECENT YEARS, FARMERS HAVE RECEIVED BETTER PRICES THAN INDUSTRY BUT THERE IS STILL MUCH TO BE DONE IN AGRICULTURE AND CATTLE RAISING. PERHAPS THE MOST IMPORTANT PROBLEM IS HOW TO BRING AGRICULTURE TO THE SCALE AND MANAGEMENT CAPACITY ALREADY ACHIEVED IN THE INDUSTRIAL

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BRASIL 01966 02 OF 03 231543Z

AND URBAN SECTORS. NEW INSTRUMENTS WILL BE CREATED TO DEVELOP AGRICULTURAL COMPANIES.

14. REGIONAL PROGRAMS - EXISTING PROGRAMS FOR DEVELOPMENT OF THE POORER REGIONS WILL REMAIN AND NEW PROGRAMS FOR LAND AND AGRO-INDUSTRY DEVELOPMENT IN THE NORTHEAST WILL BE INTRODUCED. OCCUPATION OF THE COUNTRY'S EMPTY SPACES REMAINS AN IMPORTANT GOAL.

15. FINANCE - PRAISING THE COUNTRY'S SAVINGS LEVEL, GEISEL PROMISED IMPROVEMENT AND STRENGTHENING OF CAPITAL MARKETS, ENCOURAGEMENT OF FOREIGN CAPITAL, AND CONCERN FOR SMALL INVESTORS. HE SAID THE GOVERNMENT WOULD SET AN EXAMPLE OF FINANCIAL RESPONSIBILITY BY AUSTERITY IN PUBLIC EXPENDITURES AND STRICT BUDGETARY CONTROL.

16. SOCIAL - GEISEL NOTED THAT INCOME DISPARITIES IN BRAZIL ARE GREATER THAN IN MOST WESTERN COUNTRIES AND ACKNOWLEDGED THAT THE BENEFITS OF DEVELOPMENT HAVE GONE LARGELY TO THE RICH. HE PROMISED EFFORTS TO TRANSFORM HIGH PER CAPITA GROWTH INTO IMPROVED STANDARDS OF LIVING AT ALL SOCIAL LEVELS. HE NOTED, HOWEVER, THAT EFFORTS TO IMPROVE INCOME DISTRIBUTION WOULD BE CARRIED OUT WITHIN THE ESSENTIAL PRIORITY OF MAINTAINING REAL GROWTH AND WOULD DEMAND TIME AND A RATIONAL APPROACH. HE CONDEMNED "EASY DISTRIBUTIONISM" THROUGH WAGE ADJUSTMENTS WHICH, HE SAID, WOULD INCREASE INFLATION, LIMIT EMPLOYMENT AND REDUCE THE COUNTRY'S SAVINGS POTENTIAL. HE INDICATED IMPROVED INCOME DISTRIBUTION WOULD BE SOUGHT THROUGH EDUCATION, OVERALL DEVELOPMENT AND JOB CREATION, BETTER FISCAL POLICIES, WORKER SAVINGS FUNDS, AND IMPROVED HEALTH AND SOCIAL ASSISTANCE. HE ESTABLISHED THE ELIMINATION OF ADULT ILLITERACY AND UNIVERSAL PRIMARY EDUCATION AS GOALS FOR HIS ADMINISTRATION. TO REDUCE REGIONAL ECONOMIC DISPARITIES, GEISEL PROMISED IMPROVED FISCAL INCENTIVES, BETTER SELECTION OF DEVELOPMENT PROJECTS, AND BETTER DISTRIBUTION OF TAX REVENUES, PARTICULARLY REVENUE FROM THE ICM ADDED VALUE SALES TAX. HE PROMISED THE CREATION OF METROPOLITAN REGIONS AND BROADER AND MORE EFFECTIVE URBAN DEVELOPMENT.

17. ADMINISTRATIVE CHANGE - GEISEL ANNOUNCED SEVERAL  
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 BRASIL 01966 02 OF 03 231543Z

ORGANIZATIONAL CHANGES. A NEW MINISTRY OF SOCIAL WELFARE AND ASSISTANCE WILL BE CREATED. THE MINISTRY OF PLANNING WILL BECOME A SECRETARIAT DIRECTLY ATTACHED TO THE PRESIDENCY. AN ECONOMIC DEVELOPMENT COUNCIL, CHAIRED BY THE PRESIDENT, WILL BE RESPONSIBLE FOR OVERALL ECONOMIC POLICIES AND COORDINATION. PROBLEMS CONCERNING MARKETS AND SUPPLY WILL BE REMOVED FROM THE NATIONAL MONETARY COUNCIL AND HANDLED BY A NEW INTERMINISTERIAL GROUP HEADED BY THE MINISTER OF AGRICULTURE.

18. COMMENT: EARLY PUBLIC REACTION HERE HAS BEEN UNEXCITED, WITH SOME CONSENSUS VIEW THAT THE SPEECH MET EXPECTATIONS. ARENA LEADERS HAVE BEEN PREDICTABLY LAUDATORY, ALTHOUGH IN SOMEWHAT VAGUE TERMS, WHILE MDB CONGRESSMEN HAVE SO FAR TAKEN THE LINE THAT THEY WILL BE INTERESTED TO SEE IF THE PRESIDENT'S WORDS ARE MATCHED BY GOVERNMENT DEEDS. PRIVATELY, MANY OBSERVERS REMARKED ON THE SPEECH'S EXTRAORDINARY DETAIL AND FRANKNESS.

19. IN HIS REFERENCE TO EXTERNAL AFFAIRS, GEISEL BROADENS SOMEWHAT THE MORE RESTRICTIVE LATIN AMERICAN FOCUS GIVEN BY FOREIGN MINISTER SILVEIRA (SEE BRASILIA 1849). HIS ALLUSIONS TO "NEIGHBORS BOTH HERE AND OVERSEAS" INDICATE THE CASHING OF AN EYE TWOARD AFRICA, PARTICULARLY ANGOLA, WHICH SOME ELEMENTS

OF THE BRAZILIAN MILITARY - AND CIRCLES WITHIN ITAMARATY, AS WELL - TEND TO REFER TO AS "BRAZIL'S EASTERN FRONTIER." GEISEL'S LATER REFERENCE TO PROSPECTS FOR ATTRACTING A SHARE OF ARAB LIQUID ASSETS CONFIRMS THE STRONG AND RECENTLY ACCELERATED GROWTH OF BRAZILIAN INTEREST IN THE MIDDLE EAST, AS ATTESTED TO BY THE OPENING OF SEVERAL NEW BRAZILIAN EMBASSIES IN THE REGION WITHIN THE PAST FEW MONTHS. THE VARIOUS ALLUSIONS TO THE MIDDLE EAST SITUATION SIGNAL QUITE CLEARLY A MARKED ACCENTUATION OF THE TREND, ALREADY EVIDENT IN THE MEEICI ADMINISTRATION, AWAY FROM "EQUIDISTANCE" AND TOWARD AN ARAB-COURTSHIP POSTURE. WITH REGARD TO PORTUGAL AND AFRICA, THE SPEECH FULLY DEMONSTRATED AN INTENTION, AGAIN ALREADY EVIDENT IN THE MEDICI GOVERNMENT, AWAY FROM A CLOSE IDENTIFICATION WITH A STANDPAT PORTUGAL AND TOWARD A CLOSER RELATIONSHIP WITH BLACK AFRICA.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BRASIL 01966 03 OF 03 231530Z

44

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02 OMB-01

AF-10 EA-11 EUR-25 NEA-10 DOTE-00 SCI-06 CEQ-02 EPA-04

DRC-01 /241 W

----- 069986

R 231330Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2410

INFO AMCONSUL RECIFE

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

C O N F I D E N T I A L SECTION 3 OF 3 BRASILIA 1966

20. RE INTERNAL POLITICS - GEISEL'S PHRASE ON THE "EXCEPTIONAL MEASURES" WAS CERTAINLY INTENDED TO OFFER SOME HOPE TO THOSE

LOOKING FOR SIGNS OF A NORMALIZATION OF POLITICAL LIFE, AND THE FACT THAT THE MATTER WAS ADDRESSED AT ALL WILL DOUBTLESS BE ENCOURAGING TO SOME. EDITORIALS IN BOTH THE JORNAL DO BRAZIL AND THE JORNAL DE BRASILIA WELCOMES THE STATEMENT AND CALLED UPON THE POLITICAL SECTOR TO MEET ITS RESPONSIBILITIES IN THIS REGARD. AS WRITTEN, OF COURSE, THE PHRASE GIVES NOTHING AWAY, WHICH SHOULD COMFORT HARD LINE ELEMENTS, CIVILIAN AND MILITARY. IN GENERAL, THE INTERNAL-POLITICS SECTION IS CONSISTENT WITH THE MESSAGE CONVEYED RECENTLY BY PROMINENT FIGURES IN THE NEW ADMINISTRATION, I.E. A BROADENED DIALOGUE WILL BE INITIATED WITH PREVIOUSLY DISAFFECTED AND/OR DISREGARDED SECTORS, BUT NO FUNDAMENTAL ALTERATION OF THE SYSTEM OR DISCARDING OF BASIC TOOLS OF CONTROL IS TO BE EXPECTED. THOSE MEMBERS OF THE POLITICAL CLASS, ENCOMPASSING A BROAD RANGE, WHO HAVE BEEN CLOSE TO EUPHORIA AS A RESULT OF THE INITIATIVES, SHOULD BE SOBERED

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRASIL 01966 03 OF 03 231530Z

BY THE NOTEWORTHY STATEMENT IN THE SPEECH THAT NO "INTROMISSION ...INTO AREAS OF EXCLUSIVE RESPONSIBILITY OF THE GOVERNMENT" WILL BE PERMITTED.

21. ON ECONOMICS, GEISEL'S SPEECH DEMONSTRATED THAT HE ENDORSES AND INTENDS TO CONTINUE THE OVERALL ECONOMIC POLICIES AND PRIORITIES OF THE MEDICI GOVERNMENT. GEISEL'S APPARENT INTENTION TO CENTRALIZE THE ECONOMIC DECISION MAKING PROCESS WILL IMPOSE HEAVY DEMANDS IN TIME AND ENERGY. SHOULD ATTEMPTS TO COPE WITH THIS PROBLEM LEAD TO OVERLY SYSTEMATIC AND BUREAUCRATIC PROCEDURES, THE GOB COULD LOSE SOME OF THE FLEXIBILITY THAT CONTRIBUTED TO THE SUCCESSES (AND FRICTIONS) OF THE AD HOC, FREE-SWINGING APPROACH OF DELFIM NETTO'S ECONOMIC LEADERSHIP IN THE MEDICI GOVERNMENT.

22. THE REFERENCE TO DEVELOPED COUNTRY IMPORT RESTRICTIONS ON LDC EXPORTS OF MANUFACTURED PRODUCTS IS A CLEAR REFERENCE TO US COUNTERVAILING ACTION ON BRAZILIAN SHOES. THE FACT THAT IT APPEARS IN THE FIRST MAJOR ADDRESS BY THE PRESIDENT INDICATES HIS PERSONAL CONCERN WITH THE ISSUE AND RAISES THE POSSIBILITY THAT IT COULD AFFECT OVERALL US-BRAZIL RELATIONS.

23. ON THE SAME SUBJECT OF INCOME DISTRIBUTION, GIESEL TOOK THE SAME APPROACH AS HIS PREDECESSOR. HE MADE CLEAR THAT EFFORTS TO ACHIEVE A MORE EQUITABLE DISTRIBUTION OF NATIONAL WEALTH AND RAISE LIVING STANDARDS WOULD BE PURSUED BUT NOT AT THE EXPENSE OF SLOWING OVERALL GROWTH.

24. WHILE GEISEL MENTIONED URBAN PROBLEMS AND HIS INTENTION TO STRENGTHEN THE NATIONAL HOUSING BANK AS THE PRINCIPAL AGENCY FOR URBAN DEVELOPMENT, HIS COMMENTS WERE LAW-KEY AND INDICATED THAT THE IMPROVEMENT OF CONDITIONS IN THE CITIES WILL HAVE A SECONDARY PLACE IN HIS GOVERNMENT'S PROGRAM. END OF

COMMENT.  
CRIMMINS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, PRESS COMMENTS, POLICIES, SPEECHES, PRESIDENT ELECT, POLITICAL SITUATION, PUBLIC ADMINISTRATION, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 MAR 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BRASIL01966  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740063-0066  
**From:** BRASILIA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740320/aaaaasda.tel  
**Line Count:** 441  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 9  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 SEP 2002 by boyleja>; APPROVED <08 JAN 2003 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NEW PRESIDENT'S FIRST SPEECH  
**TAGS:** PINT, PFOR, EGEN, BR, (GEISEL, ERNESTO)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005